research services

MOLSON INDUSTRIES LIMITED

DOMINION SECURITIES CORPORATION LIMITED

MOLSON INDUSTRIES LIMITED

T. G. Oliver
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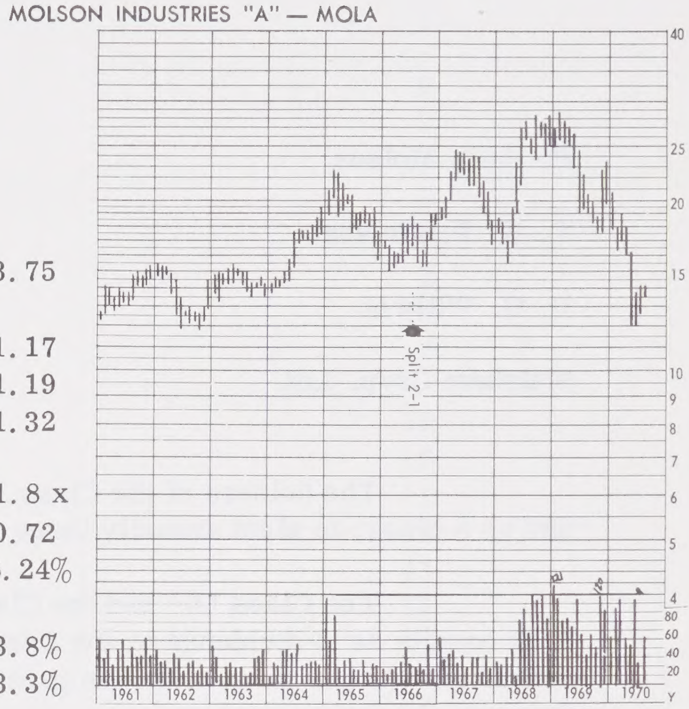
October, 1970

MOLSON INDUSTRIES LIMITED

Common Shares (Class A)



LISTING: Toronto, Montreal and Vancouver Stock Exchanges

Common Class A: Mol. A
Common Class B: Mol. B

Recent Price (October 5th)	$13.75
Earnings per Share	
1970 (before extraordinary item)	$ 1.17
1971 (estimate)	1.19
1972 (estimate)	1.32
Price/Earnings Ratio	
1970	11.8 x
Dividend/Share	$0.72
Current Yield	5.24%
Return on Invested Capital	
1969	13.8%
1970	13.3%

Capitalization (as at March 31, 1970)	(000)	%
Long-term Debt	$ 11,437	10.1%
Deferred Income Taxes	5,872	5.2
Shareholders' Equity		
Capital Stock	18,217	16.2
Retained Earnings	77,306	68.5
Total Shareholders' Equity	$ 95,523	84.7%
Total Capitalization	$112,832	100.0%

Equity Structure (March 31, 1970)	Authorized	Outstanding
Common Shares - Class "A"	10,000,000	6,134,942
- Class "B"	7,000,000	3,968,304
- Class "C"	1,360,000	1,258,942
Total Common Shares Outstanding		11,362,188

Principal Shareholders (May 31, 1970)

	Equity shares beneficially owned Class B	Equity shares beneficially owned Class C	Percentage of Class B and C Shares Outstanding
H. deM. Molson	199,250	43,050	4.64%
T. H. P. Molson	511,275	38,250	10.51
D. G. Willmot	-	566,553	10.84
Malsham Corp. Ltd.	1,010,000	-	19.32

The holders of the Class "A" common shares are entitled, voting separately and as a class, to elect annually three members of the board of directors of the Company.

The Class "B" and the Class "C" common shares are each fully voting and rank equally as to dividends in any fiscal year with the Class "A" common shares, provided 20 cents per share has been paid or declared in such fiscal year on the Class "A" common shares.

Dividends in respect of the Class "C" common shares may be paid in the form of stock dividends of the preferred shares redeemable out of tax paid undistributed income. Each Class "C" common share may, at the option of the holder, be converted into 1 Class "A" common share after July 1, 1971. Each Class "C" common share shall be converted into 1 Class "B" common share on or before June 30, 1976 or when an aggregate of $4,292,500 of stock dividends has been paid in respect of Class "C" common shares, whichever shall first occur.

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SUMMARY AND RECOMMENDATIONS

As a result of the merger between Molson Breweries Limited and Anthes Imperial Limited, the sales and earnings of Molson Industries Limited can be characterized by the following:

- an excellent brewing operation which provides a stable and important base for corporate sales (50% of net sales) and earnings (77% of operating profit); with

- the remaining operations directed primarily towards providing goods and services for sectors of the economy that are capital intensive (construction activity, petroleum marketing, industrial products, and furniture): the cyclical nature of this sector creates the volatility in the earnings of Molson Industries Limited.

We feel that the dependence on economic conditions by the non-brewing operations will not allow any significant improvement in earnings for the fiscal year ending March 31, 1971. With an assumed improvement in the direction of the economy by early calendar 1971, sales and earnings should show substantial improvement in the fiscal year ending March 31, 1972. Investment in Molson Industries Limited is recommended when an upturn in the economy can be anticipated: because of the cyclical nature of Anthes' contribution to earnings, improvement in corporate earnings should outpace overall economic growth once construction activity returns to more normal levels.

THE COMPANY

Molson Industries Limited resulted from the merger in May, 1968 of Molson Breweries Limited and Anthes Imperial Limited. Molson Breweries Limited had its beginnings in 1786 when a brewery was established in Montreal. The present Montreal brewery, the largest in Canada, is situated on the original brewery site. Subsequent to the merger, a wholly-owned subsidiary, Molson Breweries of Canada Limited, was formed to administer the brewing operations. Anthes Imperial Limited is a multi-national, multi-product company whose interests include construction products, petroleum marketing equipment, industrial products, furniture manufacturing and storage ware-housing.

Molson Industries Limited (Molson) is functionally divided on the following basis:

- brewing group
- Canadian Industrial group
- U. S. and International Industrial group,

but for the purposes of this report, we will analyse Molson as follows:

- Canadian brewing operations,
- product divisions of Anthes Imperial Limited
- Vilas Industries Limited.

The accompanying chart illustrates the organization of Molson Industries.

Canadian Brewing Operations

Molson's brewing capacity presently approximates 4.5 million barrels annually from its nine Canadian breweries. Current expansion plans should increase this amount to nearly six million barrels by 1973. An analysis of Molson's Canadian brewing operation is contained in the Canadian Brewing Industry Report (1) consequently, the important features are summarized in this section.

Market Share

Until 1955, Molson owned and operated only one brewery (Montreal), but in that year, the Toronto plant was completed. Subsequent purchases of existing brewing companies in western Canada resulted by 1960 in Molson being represented in all provinces, except the Maritimes. In 1962, the Company became a national brewer through purchase of the Newfoundland Brewery Limited. Since 1958, Molson's market share has shown consistent growth from a level of 25.5% to 29.7% in fiscal 1970. We estimate that the Company should continue to grow at a rate greater than the overall industry and that market share should surpass 30% in the next year or two. Consequently, Molson should regain its status as the second largest brewer in Canada.

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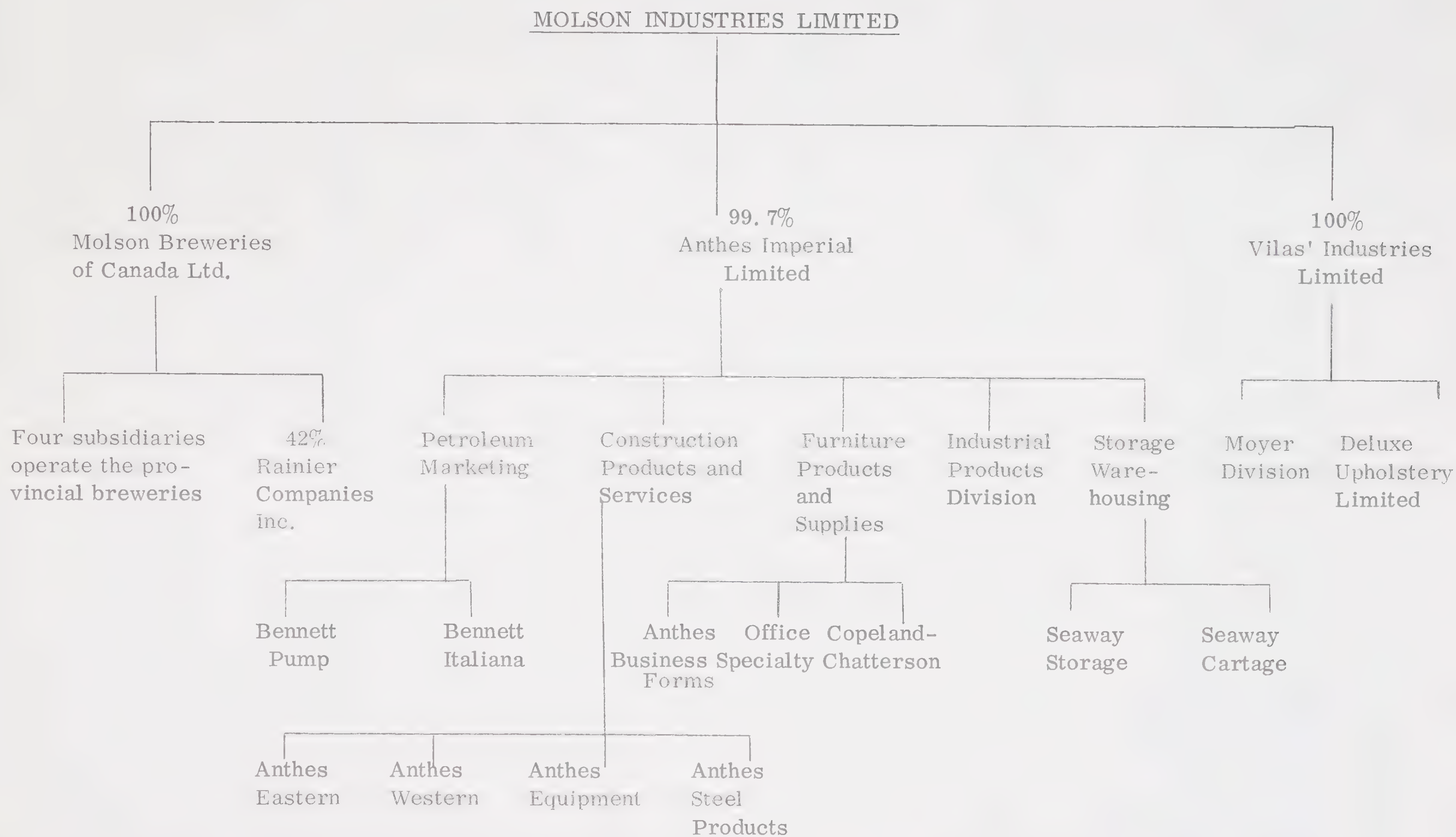
(1) The full report on the Canadian Brewing Industry is published separately. Copies are available on request.


MOLSON INDUSTRIES LIMITED
100% Molson Breweries of Canada Ltd.
99. 7% Anthes Imperial Limited
100% Vilas' Industries Limited
Four subsidiaries operate the provincial breweries
42% Rainier Companies Inc.
Petroleum Marketing
Construction Products and Services
Furniture Products and Supplies
Industrial Products Division
Storage Warehousing
Moyer Division
Deluxe Upholstery Limited
Bennett Pump
Bennett Italiana
Anthes Business Forms
Office Specialty
Copeland-Chatterson
Seaway Storage
Seaway Cartage
Anthes Eastern
Anthes Western
Anthes Equipment
Anthes Steel Products

Net Sales Value per Barrel

Canadian brewers receive a much higher sales value and margin on their packaged sales than on draught sales. As Molson's draught ratio is the lowest in the industry, the Company has consistently received the highest net sales value per barrel of beer sold. In 1970, Molson's draught ratio of 14.3% compared with an industry average of 19.2%. We estimate that Molson's draught ratio should continue to decline marginally over the next few years. This will provide the only increase in the net sales value, unless there is an increase in the price of beer to the brewer.

Operating Margin

The operating profit before depreciation, interest, and other items is important in the assessment of profitability trends. Molson's operating margin (operating profit/net sales) has declined from approximately 25.5% of net sales in 1966, to 23.4% in 1970. The following factors have accounted for this decline:

- plant utilization has remained at about 85% (increased utilization is required to offset higher labour costs),

- introduction of new products required advertising and promotion expenditures: these expenditures have grown faster than sales,

- lack of price increases for the brewer,

- difficulty in achieving productivity gains to offset increasing plant and raw material costs, and

- higher interest costs on operating funds.

For the next few years, we estimate a further gradual decline in operating margin because of the following:

- general industry cost/price squeeze,

- large increases in brewing capacity, and

- growth rate in beer sales (4.5 - 5.5%) which will be slightly above estimated industry growth.

Summary of Brewing Operations

		March 31				
		1968	1969	1970	1971 (e)	1972 (e)
Molson						
Volume (000 bbls)		3,550	3,600	3,875	4,080	4,270
Growth	(%)	4.3	1.5	7.7	5.3	4.7
Market Share	(%)	29.5	29.5	29.7	29.9	30.1
Operating Margin	(%)	25.0	23.7	23.4	23.0	22.5
Draught Ratio	(%)	15.0	14.6	14.3	13.9	13.9
Industry						
Volume (000 bbls)		12,169	12,344	13,033	13,650	14,200
Growth	(%)	3.2	1.4	5.6	4.7	4.0
Draught Ratio	(%)	20.5	19.7	19.2	18.4	18.6

ANTHES IMPERIAL LIMITED

In 1958, Anthes Imperial Limited (Anthes) had sales of $14 million which were totally derived from products relating to the construction market. John Wood Company, which was acquired in February, 1964, more than doubled Anthes' sales and diversified the operation away from construction products. By 1968, when sales surpassed $100 million for the first time, construction-related sales represented slightly more than 42% of Anthes gross sales. During this 10-year period, operating margins remained generally in the 12-13% range, but they declined in 1969 and 1970 (for reasons which will be discussed later). In fiscal 1970, Anthes accounted for 32.5% of Molson Industries' consolidated gross sales and 20% of operating profit.

The Company's products are now manufactured in 16 plants in Canada, the United States and Italy. In our discussion of Anthes, we will look at each of the product divisions and the sales growth and potential of each over the next few years.

Construction Products and Services (14% of Molson's gross sales)

The major construction products manufactured by the Company include cast-iron pipe, furnaces, water heaters and construction space heaters. Diversification into other forms of pipe manufacture has not been attempted because management views Anthes as a foundry operation. In addition, the Company is involved in the sale and rental of scaffolding and hoisting equipment.

The construction industry is currently in a relatively depressed condition. In the first six months of 1970, construction contracts in Canada were down 19% over 1969. In the residential field, housing starts were down 42% in the first half of 1970 compared to the corresponding 1969 period. For the full calendar year, we anticipate that the dollar volume of construction awards will be 15-20% below calendar 1969 levels and housing starts will be down 30-35%. Some of the reasons for this depressed condition are:

- the present recessionary economic conditions,
- lack of available credit, and
- high interest rates.

The lack of available funds for municipalities has caused a cutback in municipal capital projects: since such projects create the major demand for pipe, purchases of iron pipe products have declined. Adding stability to the sales of this group are furnaces and water heaters. These are not nearly as volatile, because a large percentage (approximately 30%) of demand is represented by the replacement market. The Company is continually developing new furnace and water heater products for all types of fuel sources. Overall, we estimate that for this division, sales in fiscal 1971, may be nearly 10% below 1970 levels, and operating profit may show an even greater decline. However, for 1972, sales should increase back to the 1970 level (showing 10-13% growth) provided there is a return to economic growth more consistent with the 1960 decade.

Petroleum Marketing Equipment (9% of Molson's Gross Sales)

A wholly-owned subsidiary, Bennett Pump, is one of the four major gasoline pump producers in the United States: these producers account for 80% of the market and are approximately equal in size. In addition to markets in the United States and Canada, Anthes sells gasoline pumps through an Italian subsidiary and two affiliates, in Switzerland and Mexico.

The main factors influencing sales of petroleum marketing devices are:

- new gas station construction,
- replacement of existing equipment,
- new marketing methods (e.g. automatic vending), and
- additional products (e.g. unleaded gasoline).

Over the past few years, gas station construction has risen significantly because of aggressive competition and marketing, and consolidation of old, uneconomic stations. However, this trend has recently slowed. Future growth would seem more closely tied to anti-pollution pressures for unleaded, or low lead content, gasoline and the attendant requirement for an additional pump at most stations to accommodate the change in exhaust emission standards. In Canada, the major gasoline retailers have announced, or are expected to announce shortly, plans for the marketing of lower lead content gasolines this fall. Initially, the gasoline will be available only at selected stations, but introduction should be wide enough to have a major impact on Canadian pump sales. In the United States, this changeover is occurring more slowly than in Canada with completion not anticipated before 1975. Advances in new marketing techniques (such as automatic vending) could enhance the growth figures anticipated. We estimate that sales growth for Bennett will approximate 10% in the fiscal year ending March 31, 1971 and 15% in 1972.

Industrial Products (6% of Molson's gross sales)

This group includes a wide range of products and operating divisions in both Canada and the United States. Custom iron castings are produced in several of the foundries for use by the automobile industry and the agricultural machinery industry. Tanks and pressure vessels are produced in the Pennsylvania plant. Stainless steel beer barrels and beverage equipment, and portable space heaters are manufactured by the Superior Division in Minnesota. Three beer barrel producers currently supply 38% of the market: this is expected to rise to 50-60% of the market within three years, and should provide a major portion of the growth for this division.

Anthes previously produced two other products which were discontinued in fiscal 1970. A contract with the U.S. defense department expired in January, 1970 ending the production of bomb fins in the Superior, Minnesota plant. In April, 1970, the Multiplex plant in St. Louis, Missouri was sold with the loss being recorded in fiscal 1970. Markets for beverage dispensing equipment were slower to develop than expected: the Company felt

that the level of sales required to support the necessary technical and commercial expertise could not be achieved in a reasonable time. The operating margin for this group will be substantially improved by the sale of Multiplex. National Oxygen was sold at a profit in July, 1970.

Sales growth for the remaining products is expected to show only marginal improvement in fiscal 1971 as a result of the current state of the economy and the cutback in capital and durable goods expenditures. For the fiscal year ending March 31, 1972, we anticipate a return to the historical 6-7% growth rate.

Office Furniture Products and Supplies (5% of Molson's gross sales)

Vilas Industries makes domestic furniture but as it is not part of Anthes it is discussed later.

Office Specialty products account for the major portion of the sales of this division. Office furniture and equipment is produced in two Ontario plants and is considered a high quality product line. Sales growth in fiscal 1970 of 16% reflects this high degree of acceptance. A new division has been formed to provide office interior design and planning on a consultant basis.

Anthes Business Forms provides a line of business forms and systems. The Canadian industry is dominated by two large companies, and overall has experienced an excellent sales growth. As a result of the market domination by the two major companies, competition is strong, and small companies tend to be at a competitive disadvantage. We estimate that sales for the industry will slow in 1970 and that Anthes sales growth will drop to 5% from an estimated 8% in fiscal 1970. Copeland-Chatterson is a small specialty printing company: according to management, sales are showing satisfactory growth.

Storage Warehousing (1% of Molson's gross sales)

Seaway Storage, the largest warehousing company in Canada, was purchased in March, 1968. In addition to warehousing, the Company is engaged in cartage and customer sorting and packaging operations. In 1969, a 288,000 square foot warehouse was completed in Toronto. Increasing growth in the packaging area and in the utilization of the Toronto plant should provide for excellent sales growth in the next few years.

Operating Margin

Anthes' operating margin has declined from 12.6% in 1968 to 7.1% in 1970 due largely to the cyclical nature of the Company's operations. More specifically, the following factors have had an important effect on margins:

- several lengthy and costly strikes during the past few years in a few major divisions;

- relatively static sales volume in construction products over the past two years, coupled with strong pressure on price levels;

- substantial operating losses at the Multiplex plant prior to its recent sale; and

- profit reduction at the Superior plant resulting from the expiry of the defense contract and the changeover to other product lines.

For the fiscal year ending March 31, 1971, we estimate further reduction of operating margins for the following reasons:

- large decline in construction sales volume affecting Anthes' construction related products;
- general sluggishness of the economy influencing sales of products from most other divisions;
- difficulty in raising prices because of the competitive pressures and the federal government price restraint policy; and
- increases in labour and other costs.

These negative factors should be partially offset by the discontinuation of the operations at Multiplex. These projections do not make any allowance for the reduction of sales and profit due to strikes. During the balance of fiscal 1970, two contracts expire. Negotiations with labour at Office Specialty are expected to be resolved without problems: however, negotiations at the Superior division are expected to be more difficult.

By fiscal 1972 a turnaround in the economy could produce a dramatic improvement in sales, margins, and earnings as the cyclical contributors regain upward momentum: operating margins should return to at least 7.5%.

VILAS INDUSTRIES LIMITED (5% of Molson's Gross Sales)

In June, 1967, Molson Breweries Limited embarked on its first diversification with the purchase of a two-thirds interest in Vilas Industries Limited. In the fall of 1969, the remaining one-third interest was purchased. Deluxe Upholstery which was acquired in 1968, produces La-Z-Boy products under a rights agreement from a U.S. company. Vilas operates three divisions - colonial furniture, school supplies and Deluxe Upholstery.

The furniture manufacturing division produces a high-quality line of colonial furniture. A five-week strike at Vilas' Cowansville, Quebec plant and a slackening in demand resulted in only a slight improvement in sales of Vilas furniture in fiscal 1970. Sales of the La-Z-Boy product line are currently small, but the product has excellent growth potential as shown by success of the line in the United States. We estimate that tight money conditions and economic uncertainty will have a negative effect on the sales of furniture for 1971. However, for fiscal 1972, sales are expected to recover dramatically if there is a return to a more optimistic outlook by prospective customers who deferred purchases through 1970-1971.

School supplies are sold by the Moyer division which distributes over 7,000 items to school boards across Canada (several furniture and equipment lines are manufactured by the company). Sales from this division have experienced consistent growth, with 1970 sales up 5%. In general, sales are relatively stable as they are dependent upon the growth in school construction and educational equipment budgets. For the

fiscal year ending March 31, 1971, sales are expected to continue their upward trend but probably at a slower rate: this should be followed by above-average growth in 1972.

Operating Margin

We estimate that Vilas' operating margin has declined since 1968 from 9.5% to 5.5% in 1970. For fiscal 1971, the outlook for furniture sales would suggest a further depression of operating margins to the 4.5% level. Renewed furniture sales growth in fiscal 1972 should have a profound effect on margins because of the high fixed cost element: we estimate an improvement to 7.0%.

RAINIER COMPANIES, INC. (Unconsolidated)

With the acquisition of Sicks' Breweries Ltd. in 1958, Molson acquired 42% of Sicks' Rainier Breweries Limited. This company owns a brewery in Seattle, Washington which has an annual capacity of one million barrels. Price pressures in the Oregon beer market, and the inability to raise prices in Seattle resulted in a decline in 1970 earnings in spite of an increase in sales. In 1968, diversification was instituted through the purchase of an interest in Robert Mondavi Winery in California. In 1969, to reflect the changing nature of the Company's business, the name was changed to Rainier Companies, Inc. It is anticipated that growth in the wine business should add favourably to future earnings.

OPERATING FINANCIAL SUMMARY

	Fiscal Year Ending March 31				
	1968 (1)	1969	1970	1971 (e)	1972 (e)
NET SALES ($ millions)					
Brewing	$102.5	$106.4	$117.1	$124.0	$130.1
Construction	42.9	43.2	43.0	39.1	42.9
Petroleum	19.8	22.0	21.9	24.1	27.7
Furniture (4)	26.4	27.7	30.0	30.8	32.7
Beverage Equipment (2) (6)	6.9	7.2	7.7	5.0	5.2
Defence (2)	6.4	7.2	4.5	–	–
Industrial (2) (7)	6.1	6.9	7.2	7.6	8.1
Consumer (3)	3.5	1.0	–	–	–
Storage	–	3.0	3.6	4.3	4.7
	$214.5	$224.6	$235.0	$234.9	$251.4
GROWTH RATE (%)					
Brewing	6.8	3.8	10.0	5.9	4.9
Construction	4.6	0.7	0.7	(9.1)	9.6
Petroleum	10.0	11.1	(0.5)	10.0	15.0
Furniture	15.8	4.9	8.3	2.5	6.0
Beverage Equipment	(2.8)	4.3	6.9	N/A	4.0
Defence	23.1	12.5	–	–	–
Industrial	2.0	13.1	4.3	5.0	7.0
Consumer	12.9	–	–	–	–
Storage	–	–	20.0	20.0	10.0
	7.7	4.8	4.6	(0.1)	7.0
OPERATING MARGINS (%)					
Brewing	25.0	23.7	23.4	23.0	22.5
Anthes	12.6	8.8	7.1	6.4	7.5
Vilas (5)	9.5	6.6	5.5		
	18.3	15.7	15.1	15.2	15.6
OPERATING PROFIT ($ thousands)					
Brewing	$25,603	$25,268	$27,401	$28,530	$29,300
Anthes	12,202	9,010	7,177	7,120	9,100
Vilas (5)	1,389	1,000	900		
	$39,194	$35,278	$35,478	$35,650	$38,400

The sales and growth rates for the individual divisions are estimated for all years.

Notes to Accompanying Table

(1) Results for 1968 include Anthes on a pooling of interests basis and include the results for the period ending December 31, 1967. The Company consolidates 93% of Anthes common stock (that stock acquired by the offer expiring June 27, 1969) on a pooling of interests basis: stock in Anthes purchased subsequent to the expiry of the offer, and the investments in all other subsidiary companies are consolidated on the basis of purchase accounting principles. The year ends were changed in 1969 to conform with Molson Breweries Limited year end.

(2) Discussion of these three divisions is included under the Industrial Products section.

(3) Arco Automatic Retail Company Limited was sold in July, 1968.

(4) This classification includes the results of Vilas Industries Limited.

(5) Results for Vilas from 1971 on are included in the Anthes results.

(6) Multiplex Company was sold in April, 1970.

(7) National Oxygen was sold in July, 1970.

Investment and Other Income

In fiscal 1970, investment income declined 32% to $1.21 million from $1.77 million in 1969, because, in excess of $7 million of marketable securities were sold during the 1969 fiscal year. This money was used to purchase additional shares in Anthes Imperial Limited and assist in financing the large amount of capital expenditures. Consequently, the holdings of Marketable Securities are now below the $1 million level and the amount of dividends and interest has been greatly reduced. The remainder of the investment income is derived from assets listed under Investments on the balance sheet:

- investments in the shares of affiliated companies (Rainier Companies, Inc. and several other companies);

- the Company's interest in provincial warehousing and distribution companies; and

- mortgages on previously owned properties.

For the next few years, we estimate that the amount of investment income should remain at current levels of approximately $1.3 million annually.

Depreciation

The depreciation rate for Molson Breweries of Canada Limited has remained constant for the last few years at approximately 3.85%, based on the average fixed assets during the fiscal year. We estimate that it will continue at this level for the foreseeable future. Anthes rate has varied from 5.94% to 5.17% since 1966 with the trend moving downward. The decline is a result of the general low level of capital expenditures and the large amount of depreciation already accumulated. This analysis assumes a 5.15% rate for 1971 and 1972. This rate also applies to the Vilas assets which are included in the Anthes total.

Debt and Bank Financing

Long-term debt at March 31, 1970 was $11.4 million at an average interest rate of 6.6%. Bank debt rose in the latest fiscal year by $10.8 million to $15.5 million. These funds were used for additions to fixed assets (mainly brewing), the acquisition of additional shares in subsidiary companies and miscellaneous investments. We estimate that cash flow in the next few years will be sufficient to repay some of the bank debt. However, the conservative debt position (debt to equity ratio of 1:9) provides the Company with the option of increasing its funded debt. The interest calculations and estimates include both interest on long-term debt and bank debt, but makes no provision for any further funded debt.

Capital Expenditures and Brewing Capacity

In 1969, Molson embarked on a five-year, $30 million expansion of its brewing facilities to meet future demand requirements. The major plant additions are as follows:

Toronto - the new brewing kettle is completed and storage facilities are nearly complete;
- new packaging and bottling facilities will be started in late 1970;
- additional 300,000 barrels by 1971 and another 400,000 to double the original plant size to 2 million by 1974.

Vancouver - the brewhouse addition is completed and aging and fermenting facilities will be added in 1972 to bring the total to 450,000 barrels.

In addition, there are alterations and improvements being made in several of the other plants, but, in general, the remainder presently have excess capacity. Expansion of brewing capacity should account for over 80% of the total capital expenditures for the year.

Taxation

Molson's tax rate increased in the fiscal year ending March 31, 1970 to 51.9% from 50.9% in 1969. The merger with Anthes lowered the tax rate in 1968 to 50.5% from an average of 51.5% in the previous five years. For fiscal 1971, the rate should decline marginally to 51.5%, because the 3% Canadian income tax surcharge expires on December 31, 1970. A further decline to 50.8% is anticipated for 1972 as the surcharge will have been off for the whole fiscal year.

Earnings and Financial Summary

The following table summarizes not only Molson's operating results since 1968, but also shows our estimate of performance over the next few years. The key features of these projections include:

- the stable growth of the brewing operation (over 5% annually),

- to provide an estimated 80% of operating profit from brewing operations in fiscal 1971;

- with an anticipated upturn in the economy by calendar 1971, Anthes sales and profits should show substantial improvement in fiscal 1972;

- our projections reflect an estimated growth in the operating profit of Anthes and Vilas in 1972 of 28% over fiscal 1971.

EARNINGS AND FINANCIAL SUMMARY

	For Year Ended March 31					
	1967 (000)	1968 (000)	1969 (000)	1970 (000)	1971 (e) (000)	1972 (e) (000)
Net Sales						
Brewing	$ 96,010	$102,482	$106,477	$117,130	$124,000	$130,100
Anthes	91,300	96,575	102,910	101,870	110,900	121,300
Vilas (1)	11,670	14,593	15,200	16,000		
	198,980	213,650	224,595	235,000	234,900	251,400
Operating Profit	35,778	39,194	35,278	35,478	35,650	38,400
Depreciation	5,579	6,007	6,682	6,804	7,185	7,550
Interest	626	810	873	1,556	1,900	1,700
	29,573	32,377	27,723	27,118	26,565	29,200
Investment Income	1,351	1,685	1,775	1,210	1,300	1,300
Before Tax Profit	30,494	34,056	29,498	28,329	27,865	30,500
Tax Rate (%)	51.7	50.5	50.9	51.9	51.5	50.8
Earnings before Minority Interest	14,717	16,856	14,498	13,629	13,515	15,000
Minority Interest	326	937	599	313	5	15
Net Income	$ 14,391	$ 15,919	$ 13.899	$ 13,316	$ 13,510	$ 14,985
Extraordinary Item			1,174 (2)	(1,144) (3)		
Net Income after Extraordinary Item			$ 15,073	$ 12,172		
Earnings/Share	1.28	1.41	1.23	1.17	1.19	1.32
Extraordinary Item			0.10	(0.10)		
Earnings/Share after Extraordinary Item			1.33	1.07		

(1) Vilas included in Anthes figures from 1971 onward.
(2) Profit on the sale of investments.
(3) Net loss on the disposal of Multiplex and several smaller companies (less related income taxes of $1,069,254).
(4) Estimates are indicated by (e).

Management and Corporate Planning

As a result of the 1968 merger, Molson's management draws on a broad spectrum of experience which should put the Company in an excellent position for future growth. Mr. D. G. Willmot who was president of Anthes, became the president and chief executive officer of Molson Industries Limited, with Mr. T. H. P. Molson remaining honourary chairman and the Honourable H. deM. Molson remaining chairman. Voting control of the Company's operations remains solidly with the management group.

Since early 1969, the Company has conducted an extensive search for possible acquisitions in Canada, the United States and elsewhere, but has yet to acquire any new companies. The major problem has been size as Molson's policies require that additional acquisitions be of sufficient scope to have an impact on its overall operations. Molson is continuing to investigate prospective companies with the primary focus on companies that are complementary to existing operations. Because of the uncertainty of projecting acquisition timing, size and nature, our estimates do not include any provisions for future acquisitions.

APPENDICES

APPENDIX I

CONSOLIDATED BALANCE SHEET (fiscal year ending March 31)

	1970 (000)	1969 (000)
CURRENT ASSETS		
Cash, short-term deposits	$ 927	$ 1,313
Marketable securities	674	715
Accounts receivable	31,705	29,030
Inventories, valued at cost		
Raw materials and supplies	14,131	12,768
Work in process and finished goods	29,141	27,299
Prepaid expenses	1,613	2,027
Total	$ 78,191	$ 73,152
CURRENT LIABILITIES		
Bank indebtedness (secured)	15,547	4,775
Accounts payable and accrued charges	18,862	14,902
Income taxes	3,712	2,339
Excise, sales and other taxes	4,916	4,734
Current instalments on long-term debt	784	766
Notes payable	2,017	-
Total	$ 45,838	$ 27,516
WORKING CAPITAL	$ 32,353	$ 45,636
Shares in other companies, at cost	7,015	3,770
Advances to other companies	2,986	2,657
Mortgages and collateral deposits	1,135	1,235
Fixed Assets (net)	74,869	69,877
TOTAL ASSETS LESS CURRENT LIABILITIES	$118,358	$123,175
Less:		
Deferred Income Taxes	5,873	5,628
Long-term Debt	10,654	11,129
Minority Interest	6,309	10,393
NET ASSETS	$ 95,524	$ 96,025
SHAREHOLDERS' EQUITY		
Capital Stock	18,217	18,030
Retained Earnings	77,307	77,995
	$ 95,524	$ 96,025

APPENDIX II

COMPARATIVE STATISTICS FOR CANADIAN BREWERS (FISCAL 1970)

			Canadian Breweries Ltd.	John Labatt Ltd.	Molson Industries Ltd.
Recent Price (October 5th)			$7\frac{5}{8}$	$21\frac{1}{4}$	$13\frac{3}{4}$
Gross Sales		(000)	$408,651	$388,783	$312,750
Net Earnings (1)		(000)	11,220	15,893	13,316
Earnings/Share (1)			0.41	1.45	1.17
Dividend Rate			0.40	0.72	0.72
Growth (1969/70)					
Gross Sales		(%)	2.0%	24.1%	5.8%
Earnings/Share (1)		(%)	(31.7)	21.8	(4.9)
Return on Invested Capital		(%)			
Before Extra. Items	-	1970	4.8%	11.7%	13.3%
	-	1969	6.2	11.1	13.8
After Extra. Items	-	1970	4.8	12.9	12.2
	-	1969	6.5	11.3	14.9
Net Profit Margin		(%)			
Before Extra. Items	-	1970	4.3%	5.2%	5.7%
	-	1969	5.7	5.5	6.2
After Extra. Items	-	1970	4.3	5.8	5.2
	-	1969	6.2	5.6	6.7
Price/Earnings Ratio			18.6x	14.7x	11.8x
Dividend Yield		(%)	5.25%	3.39%	5.24%

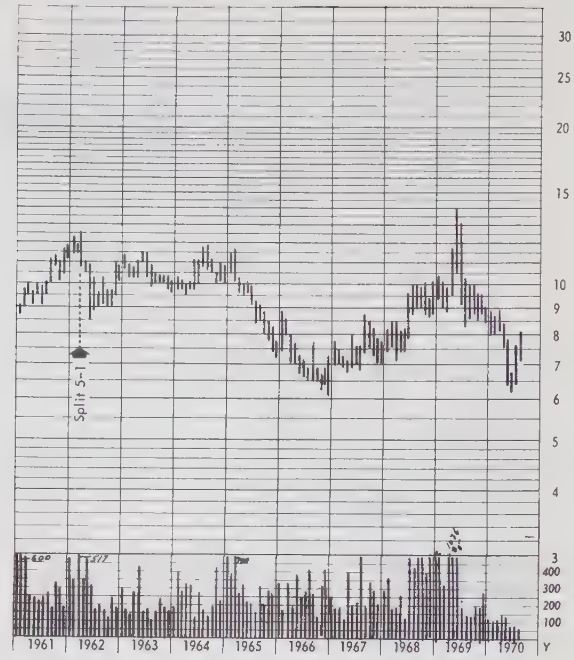
(1) The earnings figures are before extraordinary items.

APPENDIX III

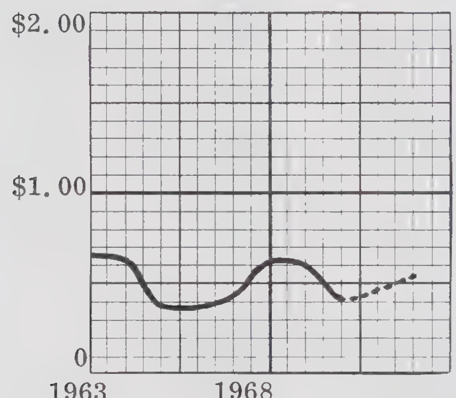
MARKET PERFORMANCE OF CANADIAN BREWERS

Price Performance of Common Stock

CANADIAN BREWERIES - CNB

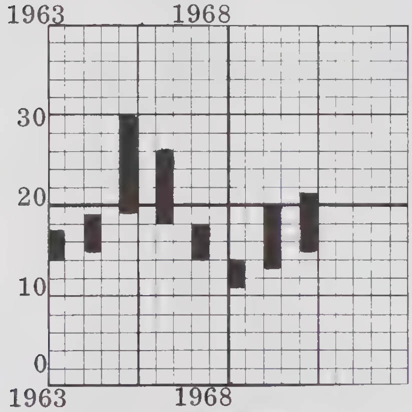


Earnings Per Common Share



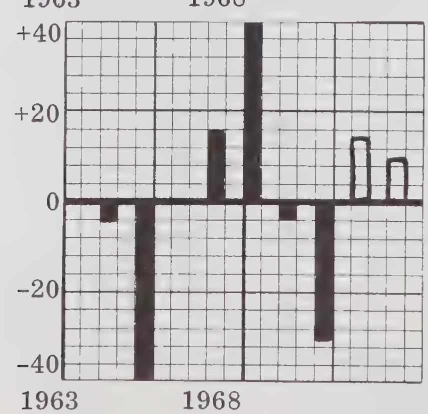
1963:	$0.66
1964:	0.63
1965:	0.38
1966:	0.15 (1)
1967:	0.44
1968:	0.62
1969:	0.60
1970:	0.42
1971: (e)	0.48
1972: (e)	0.53

Price Earnings Ratio



1963:	17 / 14
1964:	19 / 15
1965:	30 / 19
1966:	26 / 18
1967:	18 / 14
1968:	14 / 11
1969:	20 / 13
1970:	21 / 15

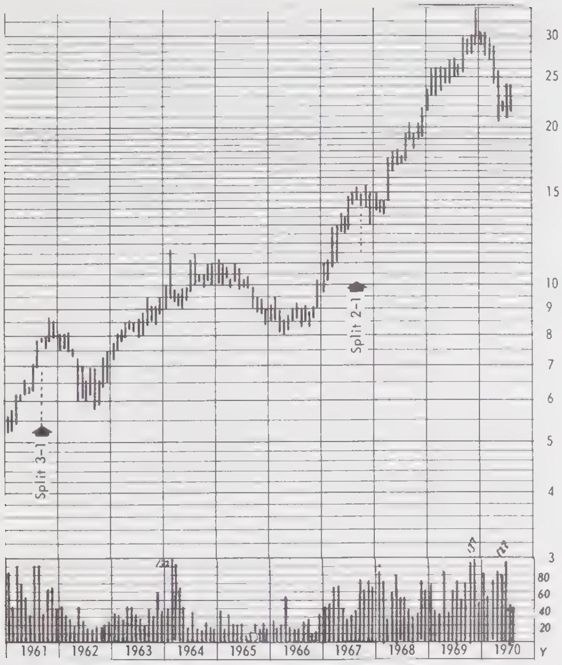
Earnings Per Share Growth

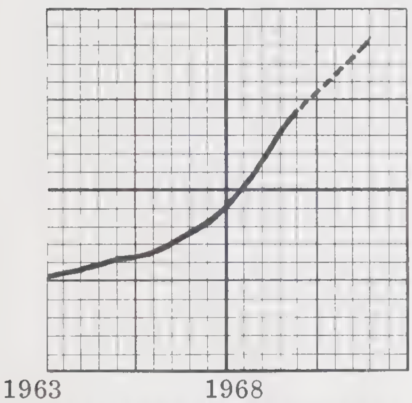


1963:	0.0
1964:	(4.4)
1965:	(39.7)
1966:	-
1967:	15.8
1968:	40.9
1969:	(4.0)
1970:	(30.0)
1971: (e)	14.3
1972: (e)	10.4

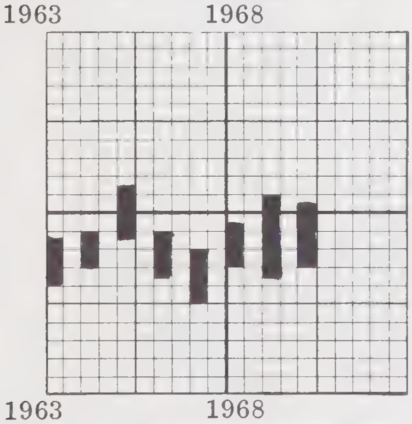
(1) Six month period.

JOHN LABATT LTD. - LBT

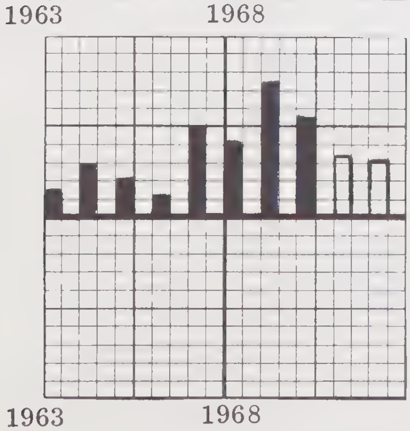




1963:	$0.51
1964:	0.57
1965:	0.62
1966:	0.65
1967:	0.78
1968:	0.91
1969:	1.18
1970:	1.45
1971: (e)	1.64
1972: (e)	1.84

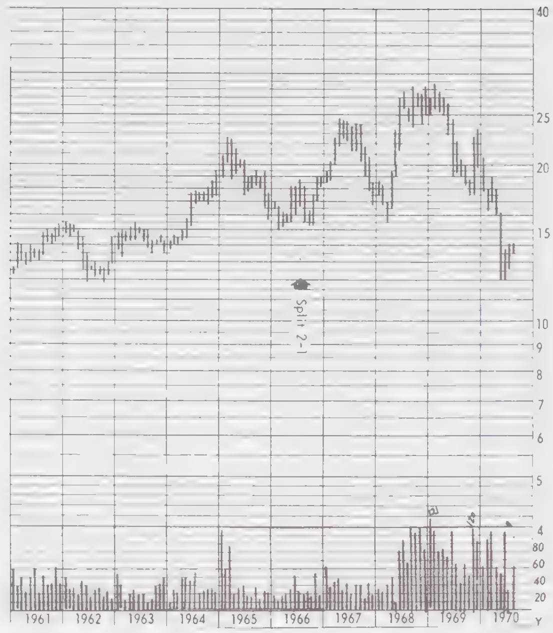


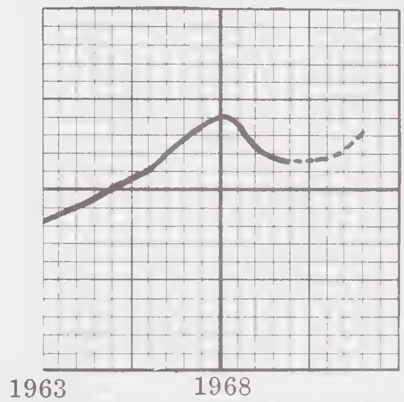
1963:	17 / 12
1964:	18 / 14
1965:	23 / 17
1966:	18 / 13
1967:	16 / 10
1968:	19 / 14
1969:	22 / 13
1970:	21 / 14



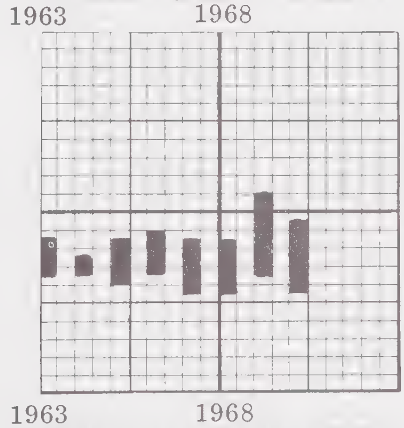
1963:	6.3
1964:	11.8
1965:	8.8
1966:	4.8
1967:	20.0
1968:	16.7
1969:	29.8
1970:	22.9
1971: (e)	13.1
1972: (e)	12.2

MOLSON INDUSTRIES "A" — MOLA

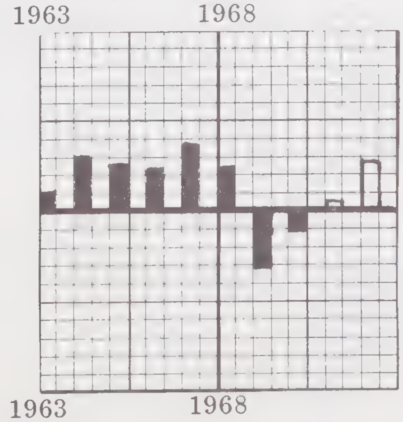




1963:	$0.81
1964:	0.91
1965:	1.01
1966:	1.11
1967:	1.28
1968:	1.41
1969:	1.23
1970:	1.17
1971: (e)	1.19
1972: (e)	1.32



1963:	17 / 13
1964:	15 / 13
1965:	17 / 12
1966:	18 / 13
1967:	17 / 11
1968:	17 / 11
1969:	22 / 13
1970:	19 / 11



1963:	5.2
1964:	12.3
1965:	11.0
1966:	9.9
1967:	15.3
1968:	10.2
1969:	(12.7)
1970:	(4.9)
1971: (e)	1.7
1972: (e)	10.9

OFFICES ACROSS CANADA

	Telephone
Nova Scotia	
Halifax: 411, Duke Street Tower, Scotia Square	429-4630
New Brunswick	
Saint John: Suite 802, 44 Prince William Street	657-4866
Quebec	
Montreal: 1155 Dorchester Boulevard West	861-2581
Quebec City: Suite 404, 500 Grande-Allée East	529-3783
Ste. Hyacinthe: 1515 Girouard Street	773-9709
Trois-Rivières: Suite 412, 1240 Royale Street	376-4464
Sherbrooke: Suite 508, 25 Wellington Street North	569-5541
Ontario	
Toronto: P.O. Box 41, Toronto-Dominion Centre	866-4611
Ottawa: Suite 707, 116 Albert Street	236-7278
Hamilton: Suite 1006, 20 Hughson Street South	529-7143
Thunder Bay: Suite 310, The Chapple Building	623-0481
Kitchener: 305 King Street West	743-3607
London: Suite 34, 170 Dundas Street	672-2110
Brantford: 50 Dalhousie Street	753-3176
St. Catharines: Suite 49, 39 Queen Street	684-9271
Peterborough: 435 George Street North	743-6030
North Bay: 222 McIntyre Street West	472-6600
Manitoba	
Winnipeg: Suite 502, 280 Smith Street	942-3431
Alberta	
Calgary: 650 Elveden House	262-7951
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British Columbia	
Vancouver: Suite 802, 626 West Pender Street	683-6671
Victoria: Suite 503, 612 View Street	382-8167

OFFICES IN OTHER COUNTRIES

United States	
New York: 100 Wall Street, 10005	944-8160
Boston: Suite 2908, 225 Franklin Street, 02110	542-5700
United Kingdom	
London: 6 Austin Friars, E.C.2	01-588-4011
France	
Paris: 15, Place de la Madeleine, 75-Paris 8e	266-26-83

DIRECT WIRE AND TELEX CONNECTIONS
BETWEEN OFFICES IN CANADA
AND OTHER COUNTRIES

DOMINION SECURITIES CORPORATION LIMITED

Member or Member through Affiliates
of

The Toronto Stock Exchange
Montreal Stock Exchange
Canadian Stock Exchange
Vancouver Stock Exchange
Winnipeg Stock Exchange
Mid-West Stock Exchange
American Stock Exchange
(Associate)

Dominion Securities Company
The Dominion Securities Corporation
Dominion Securities International Limited
Dominion Securities (Alberta) Limited
Dominion Securities (Québec) Limitée

AR11

Pour obtenir la version française de ce document, il suffit d'écrire aux Industries Molson Limitée, Service des relations publiques, Case Postale 1600, Place d'Armes, Montréal, Québec

MOLSON
INDUSTRIES LIMITED

INTERIM REPORT TO THE SHAREHOLDERS

Six Months Ended September 30, 1970

MOLSON
INDUSTRIES LIMITED
and subsidiary companies

Increased activity in six major product areas raised consolidated sales of your company to $169,309,000 in the six months ended September 30, 1970, an increase of $1,594,000 over the same period last year. Net earnings were $8,425,000 or 74¢ per share compared with $8,544,000 or 75¢ per share a year ago, reflecting an improvement of 2¢ per share in the second quarter.

Despite intensified competitive activity in the Canadian brewing industry during the past months, Brewing Group sales and earnings continued ahead of last year. The outlook for the immediate future is for a continuing higher level of competitiveness in the Canadian market accompanied by higher costs, which can be expected to put pressure on brewing industry earnings.

Profit contributed by sales of petroleum marketing equipment continues to exceed the previous year. Sales of gasoline pumps in the United States have been particularly satisfactory reflecting petroleum industry plans to market no lead and low lead gasolines.

Earnings from both the household furniture and the school supply divisions and from the operation of warehouse and distribution services are markedly ahead of last year.

Notable features of second quarter operations were the recovery at Anthes Eastern Limited following the first quarter strike in its principal plant and the firming of prices on certain products of our construction related divisions. The construction related sector of your company's business is expected to show an improving trend as building activity in Canada returns to more normal levels.

H. deM. MOLSON
Chairman of the Board

D. G. WILLMOT
President

November 23, 1970

Consolidated Statement of Earnings—Unaudited

6 MONTHS ENDED SEPTEMBER 30th	1970	1969
	$'000	
Sales	169,309	167,715
Earnings before income taxes	17,844	18,246
Income taxes	9,250	9,500
	8,594	8,746
Minority interest	169	202
Net Earnings	8,425	8,544
"A", "B" and "C" common shares outstanding (thousands)	11,374	11,360
Net Earnings Per Share	$0.74	$0.75

Consolidated Statement of Source and Application of Funds—Unaudited

6 MONTHS ENDED SEPTEMBER 30th	1970	1969
	$'000	
Source of Funds		
Net earnings	8,425	8,544
Depreciation	3,471	3,578
Deferred income tax	108	290
Funds derived from operations	12,004	12,412
Proceeds of issue of common shares for cash	119	152
Net increase in long-term debt	4,714	109
	16,837	12,673
Application of Funds		
Dividends	4,090	4,106
Net additions to fixed assets	3,823	5,453
Acquisition of interest in subsidiaries	92	6,241
Net increase in investments	212	
	8,217	15,800
Increase (decrease) in working capital	8,620	(3,127)
Working capital, beginning of period	32,353	45,636
Working capital, end of period	40,973	42,509

MOLSON INDUSTRIES LIMITED Annual Report 1970

MOLSON INDUSTRIES LIMITED

AND SUBSIDIARY COMPANIES

Incorporated under the laws of Canada

Head Office
1555 Notre Dame Street East,
Montreal, Quebec

Executive Office
2 International Boulevard,
Rexdale, Ontario

Registrar
National Trust Company Limited
Halifax, Montreal, Toronto, Regina, Calgary and Vancouver

Transfer Agent
The Royal Trust Company
Halifax, Montreal, Toronto, Regina, Calgary and Vancouver

Auditors
McDonald, Currie & Co.

Pour obtenir la version française de ce rapport annuel il suffit d'écrire aux Industries Molson Limitée, Case Postale 1600, Place d'Armes, Montréal, Québec.

Contents

The Cover
Molson growth in Ontario is very evident. Major expansions, underway and completed, at the Toronto brewery are seen daily by an estimated 100,000 motorists who pass in and out of the city along the Gardiner Expressway. On top of the recently completed new brew house (front cover) a new tri-vision sign flashes the message of the brewery's new product, *Festival* lager, introduced last August. Adjoining the new brew house, construction is well underway on new fermenting and ageing tanks (back cover). The new brew house more than doubles the capacity of the first brew house and provides future potential for tripling the brewery's original capacity.

THE YEAR IN BRIEF

	1970 $	1969 $
SALES	312,750,043	295,575,484
NET EARNINGS BEFORE EXTRAORDINARY ITEMS	13,316,233	13,898,606
Net earnings before extraordinary items per "A", "B" and "C" share	1.17	1.23
NET EARNINGS AFTER EXTRAORDINARY ITEMS	12,172,547	15,072,606
Net earnings after extraordinary items per "A", "B" and "C" share	1.07	1.33
DIVIDENDS	8,195,290	7,873,694
Dividends per "A", "B" and "C" share	.72	.72
SHAREHOLDERS' EQUITY	95,523,558	96,025,423
TOTAL ASSETS	164,195,991	150,690,599

DIRECTORS

***T. H. P. Molson,** Montreal
Honorary Chairman of the Board
Director, The Royal Trust Company
President, Alexandra Hospital, Montreal

***Hon. H. deM. Molson,** Montreal
Chairman of the Board
Vice President and Director, Bank of Montreal
Director, Canadian Industries Limited, Canadian Corporate Management Company, Sun Life Assurance Co. of Canada
Member, The Senate of Canada

***H. N. Bawden,** Toronto
Vice Chairman and Director, Dominion Securities Corporation Limited
Director, Dominion Foundries & Steel Co. Ltd.

***J. T. Black,** Toronto
Executive Vice President, Operations
President, Molson Breweries of Canada Limited
Governor, Brewers' Association of Canada

***Peter D. Curry,** Winnipeg
Chairman and Director, The Investors Group
Director, Canadian Imperial Bank of Commerce, Ford Motor Company of Canada, Limited International Nickel Company of Canada Limited Power Corporation of Canada, Limited
Chancellor, University of Manitoba

W. P. Frankenhoff, New York
Partner, William E. Hill & Co., Inc., Management Consultants,
Director, The Dexter Corporation, Roanwell Corporation, Kenite Corporation, Weil-McLain Co., Inc.

Donald Harvie, Calgary
President, Canadian Fina Oil Limited
Director, Petrofina Canada Limited, Bank of Montreal
Member of Senate, University of Calgary

D. Lakie, Toronto
Senior Vice President, Canadian Industrial Group

Roger Létourneau, Q.C., Quebec
Senior partner, Létourneau, Stein, Marseille, Delisle and LaRue, Barristers and Solicitors
Vice President and Director, Bank of Montreal
Director, Domtar Limited, The Price Co. Ltd., Canada Cement Co. Ltd.

***M. McCammon, Q.C.,** Toronto
Senior Vice President, Corporate Services

H. C. F. Mockridge, Q.C., Toronto
Senior partner, Osler, Hoskin and Harcourt, Barristers and Solicitors
Director, International Nickel Company of Canada Limited, Bank of Montreal, Confederation Life Association
Trustee, The Hospital for Sick Children, Toronto

J. David Molson, Montreal
Chairman of the Board, President and Director, Canadian Arena Company and Club de Hockey Canadien Inc.
Director, Montreal Trust Company
Governor, National Hockey League, Montreal Children's Hospital, Montreal General Hospital, Queen Elizabeth Hospital

***E. H. Orser,** Toronto
Senior Vice President, Corporate Development

Gérard Plourde, Montreal
Chairman of the Board, UAP Inc.
Vice President and Director, Alliance Compagnie Mutuelle d'Assurance-Vie
Director, Gulf Oil Canada Limited, Northern Electric Company Limited, Rolland Paper Company Limited, Sidbec Inc., Steinberg's Limited, The Toronto-Dominion Bank, University of Montreal, Hôpital Notre-Dame

F. H. Sobey, Stellarton
Chairman of the Board, Sobeys Stores Limited and Deuterium of Canada Limited
Director, Dominion Textile Limited, The Toronto-Dominion Bank, Fraser Companies Limited, Halifax Developments Limited

G. B. Waterman, Toronto
Senior Vice President, U.S. and International Industrial Group
Member of Senate, University of Toronto

N. E. Whitmore, Regina
President, Whitmores Limited, Wascana Investments Ltd., Regina Land Development Limited
Director, Canadian Pacific Railway Co., Canada Permanent Mortgage Corporation

***D. G. Willmot,** Toronto
President and Chief Executive Officer
Chairman of the Board, Molson Breweries of Canada Limited
President, Anthes Imperial Limited
Director, The Bank of Nova Scotia, Crown Life Insurance Co., Hayes-Dana Limited, Texaco Canada Ltd., Foster Wheeler Ltd. (Canada)
Member, Board of Governors, Ridley College

**Member of the Executive Committee*

OFFICERS

T. H. P. Molson, Honorary Chairman of the Board
Hon. H. deM. Molson, Chairman of the Board
D. G. Willmot, President and Chief Executive Officer
J. T. Black, Executive Vice President, Operations
D. Lakie, Senior Vice President, Canadian Industrial Group
M. McCammon, Q.C., Senior Vice President, Corporate Services
A. G. McCaughey, Senior Vice President, Finance
E. H. Orser, Senior Vice President, Corporate Development
P. B. Stewart, Senior Vice President, Brewing Group
G. B. Waterman, Senior Vice President, U.S. and International Industrial Group
K. A. F. Gates, Vice President, Law
J. B. Jolley, Vice President and Secretary
R. J. Stuart, Vice President, Personnel and Industrial Relations
P. M. Turner, Vice President, Corporate Planning
M. C. Payne, Treasurer
W. W. Carrick, Controller, Canadian Industrial Group
C. R. Cook, Controller, Brewing Group
I. A. Cross, Controller, U.S. and International Industrial Group
G. Marin, Assistant Secretary

DIRECTORS' REPORT TO THE SHAREHOLDERS

During the fiscal year ended March 31, 1970 your company's sales reached record levels despite a softening in the North American economy. Earnings from operations, however, were affected by the cost-price squeeze being experienced by business and by a significant loss in one of the divisions of the company. Certain extraordinary losses incurred in fiscal 1970 further reduced the final result.

Financial Results

Consolidated sales of products and services amounted to $312,750,043, an increase of nearly 6 percent over the previous year. Net earnings before extraordinary items totalled $13,316,233 or $1.17 per share, a decrease of $582,373 or about 4 percent from the comparable earnings figure of $13,898,606, or $1.23 per share a year ago. Quite different extraordinary items in this fiscal year and in last served to widen this comparative difference. This fiscal year a net loss on disposal of certain businesses totalling $1,143,686, or 10 cents per share, reduced final net earnings to $12,172,547 or $1.07 per share whereas last year's earnings were enhanced by $1,174,000, or 10 cents per share, through profits realized on sale of investments.

Dividends were paid during the year at the rate of 72 cents per share. While the rate was unchanged, the combined total amounted to $8,195,290 an increase of $321,956 over the total of the previous year, reflecting not only the greater number of issued and outstanding shares this year but the results of consolidation of Molson and Anthes accounts, on a pooling of interests basis.

Three areas of our activities account for the lower consolidated profit from operations despite the growth in total sales. First, we continued to realize lower prices on many of our products sold to the construction industry in Canada; second, Superior division at St. Paul, Minnesota suffered a sharp reduction in profit contribution with the completion during the year of government contracts of several years duration; and finally, the soft drink dispensing equipment division operated at an unsatisfactory level during the year incurring a considerable operating loss.

We are now able to report that this latter division, the Multiplex Company in St. Louis, has been disposed of since the close of the fiscal year. The resulting terminal loss has been fully provided for in the accounts for the fiscal year 1970 just ended which, together with a loss on the discontinuance of a small construction equipment sales company and a profit on the sale of a minority interest in a foundry operation are reflected in total in the accompanying financial statements as an extraordinary item.

Operations

Your company's share of the Canadian market for beer and ale again increased in fiscal 1970. Both sales revenue and earnings were about 9 percent above the previous year and our increases in Ontario, which is the largest consumer market in Canada and which had strike depressed sales and earnings in the previous year, were particularly significant. Sixty-two percent of your company's total sales, a slightly larger proportion than the previous year, were derived from our brewing operations.

Products and services for the construction industry comprised the second largest segment being 14 percent of total company sales. Reflecting the effects of strikes in two plants early in the year, and the fact that trading margins have been cyclically low for the past two years, earnings from this segment of our business were substantially down for the second year in a row. However, as building activity increases to meet demands for housing and industrial construction, your company is well positioned to take advantage of the upturn in the cycle when it occurs.

Sales of office furniture, school furniture and supplies and household furniture comprised 10 percent of total sales. Demand for office furnishings was strong during the year and your company's Office Specialty division enjoyed a good level of sales and a satisfactory growth in profit. Sales and earnings of the Moyer school supplies division were also ahead of last year. The Vilas furniture division sustained a five-week strike early in the fiscal year which reduced both shipments and earnings. On the other hand, sales in Canada of La-Z-Boy chairs by the Deluxe Upholstering division in Waterloo, Ontario achieved

a record level. Present indications are that sales and earnings from these products will achieve higher levels next year.

Petroleum marketing products, principally gasoline pumps, produced 7 percent of your company's sales. Pump sales, which had been below the previous year in the first nine months, improved sharply in the final quarter so that results for the year were only slightly behind the previous year. The outlook for these products over the next few years in North America and overseas is buoyant and the sale of these products is expected to continue to make a significant contribution to earnings.

Industrial products and services contributed 7 percent of our consolidated sales. Earnings of the Superior division at St. Paul which were substantially below the level of the past few years are expected to improve as the sale of an expanding line of commercial products replaces completed government contract business. Demand for industrial tanks and pressure vessels manufactured at Conshohocken, Pennsylvania was strong with both sales and earnings above last year. Revenue and earnings from the public warehousing and distribution services provided by Seaway Storage in Montreal and the new facilities in Toronto also increased in the year.

Sales by the Multiplex division failed to reach planned levels and a significant loss resulted in the year. This business has, in recent years, been subject to rapid technological changes. A competent staff was built up and considerable expenditures were made on the development and introduction of new products, principally a frozen carbonated beverage machine. Markets were slower to develop than anticipated and, in common with the leading companies in the same industry, losses were sustained. We concluded that the level of sales required to support the necessary technical and commercial expertise, if we were to be effective in the industry, could not be achieved in a reasonable time and, as previously mentioned, we therefore arranged for the sale of this business. While the sale did not recover the value at which the assets were carried, all of the company's liabilities and responsibilities to employees and to customers were assumed by the buyer of the business.

Capital Expenditures

Net expenditures on capital assets during the year totalled $11,796,233, a level above the average expenditure of previous years.

About three-quarters of the outlay related to new plant and equipment for brewing operations. Included were expenditures for the expansion of the brew house and storage cellars at the Toronto brewery, a new brew house in Vancouver, and a distribution centre in Quebec City.

Other outlays were for the acquisition and equipping of a sawmill in Maine to serve the Vilas furniture plant in Cowansville, for the completion of the first phase of the new Seaway warehouse in Toronto, for the expansion of the Moyer division warehouse in Toronto, and for equipment to produce cement-lined cast iron pipe at the Calgary pipe plant.

Financial Position

Funds generated from consolidated operations in the year totalled $19,221,425, or $2,811,439 less than the previous year, reflecting the reduction in net earnings. There was a decrease in working capital in the year resulting from the purchase of additional shares of Anthes Imperial Limited for cash, the remaining shares of Vilas Industries Limited, an increase in investment in shares of other companies, the three totalling $11,883,771, and a high level of capital expenditures amounting to $11,796,233.

Corporate Development

A number of possibilities for expanding our interests into other businesses have been reviewed in the past year but none has been found that meets our expansion criteria on a basis we believed to be justifiable. While the search continues, present money market and stock market conditions have reduced the number of attractive opportunities.

While it is our plan that a part of our growth will come from businesses to be acquired or new fields to be entered in the future, it is important that we manage our present businesses as effectively and as successfully as possible and, at the same time, continually appraise our present activities to ensure that they are compatible with our long-term goals.

Organization

As a further step in the development of the organization of your company's senior management, the position of Executive Vice President, Operations was created. J. T. Black, formerly Senior Vice President, Brewing Group, was appointed to this new position on January 1, 1970 with responsibility for all of the operating groups of the company. On the same date, P. B. Stewart, formerly President of Molson's Western Breweries Limited, became Senior Vice President, Brewing Group.

During the year, P. M. Turner became Vice President, Corporate Planning, a vacancy created by the retirement of T. S. Drake who served the company, and Anthes Imperial Limited, for nearly 18 years. Prior to this appointment, Mr. Turner was Vice President, Planning of the Brewing Group. M. C. Payne, formerly Assistant Treasurer, was appointed Treasurer and I. A. Cross, Controller, John Wood Company, was appointed Controller, U.S. & International Industrial Group.

In addition to these corporate appointments, a number of changes in structure and in personnel were made at division general management levels which will improve our management effectiveness.

Outlook

In spite of the very earnest attempts by governments to control inflation without creating economic depression, inflation remains a serious and continuing problem.

While we are all very conscious of, and deplore, the unfair effects on the various segments of our society by inflation, the principal cost may turn out to be further intervention by governments into business. In attempting to restrain inflation, more and more controls will likely be applied reducing freedom of decision and preventing effective working of the normal checks and balances of the free market system. The attempts to evoke voluntary restraint are commendable but only if all sectors of the economy co-operate. The prices of your company's products have risen very little in recent years and yet all the principal elements comprising our costs, particularly wage and salary levels, have increased beyond any possible improvement in productivity.

The Canadian government's proposal for tax reform is another step that is not likely to improve economic stability nor assist sound business planning. Many of the effects of the proposal are uncertain and may not encourage business activity at least in the short run. We hope that full and thoughtful consideration will be given to the public's views before a new and uncertain course is embarked upon. Your company has prepared a submission, presenting its views to the standing committees of The Senate and House of Commons studying the tax reform proposal.

Since similar inflationary and cost-price squeeze conditions exist in Canada and the United States, we believe that a difficult year lies ahead for the North American economy. In particular, the outcome of labor negotiations in the year ahead is difficult to predict in respect to its effect on the company's operations. However, we recognize the basic stability of many of your company's activities and the sound foundation being developed for the businesses we operate. Barring unfavorable developments beyond the company's control, we anticipate results will reflect a satisfactory improvement over the year just ended.

On behalf of the Board:

H. deM. Molson, Chairman of the Board

D. G. Willmot
President and Chief Executive Officer
May 25, 1970


MOYER PRODUCTS
MOYER
FOR SCHOOL

The company's total business can be divided into five principal product and service segments: brewing; construction; petroleum marketing; furniture and educational supplies; and industrial products and services. This Review of Operations is based on these broad categories and we report on the activities and results of each segment regardless of where the product may be made or sold.

Brewing

Sales by the brewing industry in Canada in the year ended March 31, 1970 increased by 5.6 percent, a rate of growth higher than the average of the past five years. Industry volume of 13 million barrels reflected increases in all provinces except Quebec and Saskatchewan. In Ontario, of course, industry sales in the previous fiscal year were depressed by a 4-week strike.

Combined sales of the nine Molson breweries continued to increase at a rate higher than that of the industry as a whole and as a result, Molson's share of the total Canadian beer market again increased fractionally. The company made particularly strong gains in Ontario, British Columbia, Manitoba and Newfoundland.

An active and continuing program of market research is maintained in order to monitor the performance of our existing products in the various regional markets and to identify new or developing market needs or opportunities. Largely as a result of the findings of such research, two new beers were introduced during the year: Molson *Festival* in Ontario, and Molson *Golden* in Alberta and Saskatchewan. In each case, consumer response has been gratifying.

During the past year your company's sales promotion efforts were intensified in such fast-growing sports areas as automobile racing and skiing; and "Hockey Night in Canada", perennially Canada's top television program, was again a major element of the company's advertising activities in those provinces which permit brewery television sponsorship.

A new 1,000-barrel brew house, currently the largest in Canada, began operation in Toronto in February. This addition, together with the new fermenting and ageing cellars now under construction, was made necessary by the rapidly growing demand for the company's brands in the Ontario market. Construction activity at the Toronto brewery will continue through the coming year with the building of a two-storey addition to the packaging facilities, to house a new bottling line which will have the highest rated capacity in the industry in Canada.

In Vancouver also, where demand for our products has outstripped the capacity of our brewery, a new brew house has been brought into operation since the end of the fiscal year and an expansion of the bottling and warehousing facilities will be started this year.

Your company did not have the benefit of a price increase on beer in any of its major markets during fiscal 1970 and prospects for price adjustments of any consequence in the near future do not appear to be good.

Agreements negotiated during the year with brewery unions in the prairie provinces brought wage rates in those areas to levels previously established in Ontario and Quebec and new negotiations are due in Quebec, Ontario, and British Columbia before the end of the current fiscal year. In the absence of price increases, the brewing industry and your company could enter the next year under severe cost pressures unless the wage settlements made are far less inflationary than those of the recent past.

Assuming that employment in Canada is maintained at a reasonable level, we anticipate that brewing industry sales in the current year will grow at a rate slightly better than the average growth rate of the last few years. We are confident that our own sales will continue to grow at a satisfactory rate and that new high volume and market share levels will be achieved in the year now in progress.

Despite increases in the volume of sales of both beer and wine in 1969 by the Rainier Companies, Inc., the new name of our associate brewing

For the seventh successive year, the Seaway Storage Division has been the contractor to the Northwest Territories to assemble, pack and ship the bulk of the annual supplies used by 32 northern settlements. Some of these vital supplies are seen being unloaded at Pond Inlet, on the north shore of Baffin Island. In the foreground is a case of school supplies from the company's Moyer School Supplies Division.

company in the United States, earnings suffered as the result of inflationary cost pressures and the inability to obtain a price increase in the State of Washington, its major marketing area. Development of the vineyard properties in the Napa Valley of California advanced on schedule through the year.

Petroleum Marketing

Bennett pumps, for the dispensing of gasoline in service stations, are now being sold in 76 countries. It is likely that in North America one out of every five motorists obtains his gasoline from a Bennett gasoline pump.

The gasoline marketing industry in the United States has undergone some marked changes in the recent past. The entry of at least one new major oil company and two significant mergers of large gasoline marketers has brought a new aggressiveness to the marketplace which should have a positive impact upon the gasoline pump manufacturing industry. In addition, towards the end of the fiscal year it became apparent that there will be a move by the American automobile industry to produce cars which burn unleaded gasoline as part of the developing war against pollution. It is still too early to predict the long-term impact of this development on the gasoline pump manufacturing industry since the major oil companies and gasoline marketers have not yet resolved the marketing problems involved. On the basis of the evidence available to us, however, we believe that the unleaded gasoline program will increase gasoline pump requirements in North America over the next few years.

The Bennett Division, which this year marks the 50th anniversary of its founding in Muskegon, Michigan, has traditionally been a leader in new product development for gasoline dispensing equipment. It is already firmly represented in the self-service gasoline market even though this market in still in its infancy in the United States and Canada, and last year Bennett introduced new lines of pre-set and post-pay self-service equipment. With installations already in operation in several states, Bennett is in an excellent position to take advantage of the growth of this market as local regulations permit future installations of self-service gasoline stations.

In anticipation of continued market growth, Bennett-Italiana S.p.A., the company's subsidiary in Italy, is moving towards becoming a fully integrated manufacturer of gasoline pumps and components. In addition, Bennett-Italiana has recently been appointed exclusive distributor in Italy of the Neptune line of meters for use on tank trucks and in bulk plants. The company's Swiss affiliate, Bennett-Sauser, A.G., has developed a system of automatic credit card stations and new self-service post-pay gasoline pump systems and expects increased sales during the coming year from these new products.

Construction

The atmosphere of economic uncertainty continued in the Canadian construction industry throughout fiscal 1970. Such factors as venture capital, unprecedented high cost of debt financing, deferment of capital cost allowances for commercial construction in major centres, and the impact of a series of crippling strikes in various sectors of the industry, severely inhibited growth in physical volume of construction and created severe cost-price pressures which affected every segment of the industry. These pressures were further aggravated by high-cost labor contracts signed by some companies which provide material directly to the construction industry or to its suppliers. Your company has attempted to meet the challenges of higher costs by improving operating efficiencies through the use of better methods and the installation of new machinery.

A hazard of the construction industry in such times is the increased financial vulnerability of some contractors. Unexpected bankruptcies occurred during the year and the company, therefore, absorbed some abnormally high losses from some established contractor accounts.

Monetary restrictions not only curbed construction operations, they also slowed con-

A new company, to provide office interior design and planning on a consulting basis, was formed last year as another Molson enterprise in the office furniture and equipment industry. It has already completed major assignments for some of Canada's largest corporations, including the new offices of the Royal Trust in Toronto, seen here.

tractors' purchases of capital equipment such as hoists, cranes and scaffolding. However, while direct sales of such equipment lost the buoyancy of recent years, equipment rentals maintained a strong pace.

The company believes the present condition of the construction industry to be temporary and the long-term outlook to be good. The continuing pressures for new facilities, commercial, industrial and residential, indicate that construction will continue as a growth industry. The company is, therefore, placing itself in the best possible position to take advantage of any upturn in the construction industry by continuing improvement and expansion of its plant and equipment and the introduction of new products.

New casting equipment for pipe and fittings was installed in both the St. Catharines and St. Jean foundries. An addition to the Calgary water pipe plant was completed which permitted the plant to manufacture for the first time, cement-lined ductile-iron water pipe. A modernization program was begun at the Winnipeg foundry.

To consolidate its leading position in the construction hoist field, the Anthes Equipment division entered into a marketing agreement with Heede International Limited for sale and rental of the Heede line of Canadian-built cantilever hoists in eastern Canada.

The company's heating products line was further developed with the introduction of a new construction space heater and a new Anthes oil furnace. Late in the year, two new water heater product lines were launched and gained large customer contracts. New commercial electric and gas water heaters and a new domestic water heater for the fast-growing mobile home field expanded the company's product lines in these markets.

The first phase of a program to automate water heater and tank production in Toronto was completed with the installation of a highly automatic welding mill, believed to be unique in Canada.

Furniture and Supplies

Sales of office furniture and equipment, and business forms exceeded, by substantial margins, the levels of the previous year. Competition in the office furniture industry continued to be intense as there is still more than adequate manufacturing capacity to meet the demand. Notwithstanding these competitive conditions, the company's office furniture and equipment sales were 16 percent higher than those of the previous fiscal period, with increases being shown in all major markets. Share of market improvement was achieved in metal furniture which comprises desks, chairs, and filing cabinets. However, severe competitive price pressures made it difficult to maintain gross margins.

Although fiscal 1971 may not be as buoyant as 1970, we anticipate a sales performance in office furnishings close to that of the past year. In the current competitive climate, quality products are of paramount importance and the company's quality improvement programs are being intensified. Four new lines of chairs were introduced last year, along with a line of pull-out lateral filing equipment being made under licence. All are expected to contribute significantly to current year's sales.

Office Planning Services Limited, a new company formed to provide interior design and planning on a consulting basis, has already completed major assignments for some of Canada's largest corporations. This company is in the forefront of the movement to office landscaping and has used this concept with success to increase the efficiency of customer offices.

Total sales volumes for business forms and systems increased by 8 percent last year with the greatest rate of improvement being in the area of rotary business forms. Early forecasts for the current year indicate that this high rate of growth will continue. New press and collating capacity was added last year and new equipment, which will make the company more competitive in the file folder business, is to be installed during the current year.

The Vilas furniture division maintained its position as the leading Canadian manufacturer of colonial furniture and although it encountered production problems in the early summer of 1969 due to a five-week strike, sales for the full year showed improvement over the previous year. There was a noticeable downtrend in the general domestic furniture market during the last six months of the fiscal year, a trend which is expected to continue until the fall of 1970 when demand should begin to increase.

Deluxe Upholstering division moved into larger premises in Waterloo, Ontario, in the late summer, and is now in a position to meet the growing demand for their La-Z-Boy products which last year received the Award d'Oro, the major European furniture award.

The Moyer school supplies division, the only national school supply company in Canada, maintained its record of steady growth with a 5 percent increase in sales over the previous year. Moyer distributes some 7,000 items, including school furniture and equipment of its own design and manufacture.

During the past year, Moyer added 20,000 square feet of warehouse space to its Toronto branch facilities to enable it to improve shipping services, and in the last quarter introduced a new

One motorist in every five in North America is estimated to obtain his gasoline from a pump manufactured by the company's Bennett Pump Division. Bennett gasoline pumps are now sold in 76 countries. Many of the world's major gasoline companies are Bennett customers.

line of classroom seating for which sizeable orders have already been received. In the current year, Moyer plans to introduce additional products to supplement its range of teaching aids, particularly in the mathematics and language fields, and to continue its audio-visual demonstration workshops which are finding favor in educational circles and are producing an excellent sales response.

Industrial Products and Services

The company's broad lines of industrial products generally made gains last year. The most impressive gains were in the area of grey and ductile iron custom castings, primarily for the agricultural equipment and automotive markets which the company entered in 1969. Sales of Penberthy specialty engineered products also were ahead of previous years. These products, which include fluid handling and measuring devices for the petrochemical industry and anti-pollutant systems for industry generally, hold promise of above average growth for the future.

The demand for tanks and pressure vessels continued to be strong throughout the northeastern United States, and the Industrial products division at Conshohocken, Pa., matched its high level of sales of last year. Demand is expected to remain high through the current fiscal year, however, material price increases will place pressures on current margins. To offset this cost-price squeeze, a two-year program to improve manufacturing efficiency and increase plant capacity is underway.

A successful entry has been made into the stainless beer barrel field by the Superior division in St. Paul, with new equipment currently being installed to double our initial barrel capacity. An active program of new product search and development is underway.

The short-term outlook for farm equipment and farm tankage in western Canada is clouded by the current poor conditions of the farm economy and, in view of the anticipated cutback in wheat acreage, it will be difficult to maintain sales of these products at present levels. Our program of new product development continues however and a number of new farm products are in the prototype stage with some holding out attractive sales promise for the longer term.

The Seaway storage division, which provides warehousing and physical distribution services to major Canadian corporations, completed another successful year with revenues up 21 percent. In Montreal, where Seaway has been established for 15 years, our several warehouses operated throughout most of the year at peak capacity. Operations commenced in the Toronto area with the successful opening of a major distribution centre of 300,000 square feet, presently the largest public warehousing installation in Toronto.

DIVISION OFFICERS

Brewing Group
Western Division
A. L. Keyworth, *Vice President and General Manager*
Ontario Division
J. P. G. Kemp, *President*
Quebec Division
J. P. Rogers, *Vice President and General Manager*
Newfoundland Division
G. M. Winter, *President*

Canadian Industrial Group
Anthes Eastern Division
W. A. Farnell, *Vice President and General Manager*
Anthes Western Division
C. R. McBain, *General Manager*
Furniture and Supplies Divisions
G. C. Berry, *Vice President*
Anthes Business Forms Division
D. W. Gray, *General Manager*
Deluxe Upholstery Division
H. B. Soanes, *President and General Manager*
Moyer School Supplies Division
E. F. Flegg, *Vice President and General Manager*
Office Specialty Division
R. O. Carruthers, *Vice President and General Manager*
Vilas Furniture Division
G. L. Townsend, *Vice President and General Manager*
Construction Services Divisions
W. J. Gluck, *Vice President*
Anthes Equipment Division
W. J. Gluck, *Vice President and General Manager*
Anthes Steel Products Division
J. R. Tansony, *General Manager*
National Oxygen Division
A. Black, *General Manager*

U. S. and International Industrial Group
Bennett Pump Division
P. W. Keessen, *Senior Vice President and General Manager*
Bennett-Italiana Division
Dr. U. Beretta, *Managing Director*
Industrial Products Division
H. B. France, *Vice President and General Manager*
Seaway Storage Division
R. Goldsmith, *General Manager*
Superior Division
R. B. Stevenson, *Vice President and General Manager*

(facing page) The company's Moyer School Supplies Division continues to enhance its position as the country's only national school supply company. Moyer distributes some 7,000 items, including school furniture and equipment of its own manufacture.

(overleaf, page 14) During the year, the company's Anthes Western division built and delivered 12 storage tanks, of 5,600 gallons capacity each, to two new installations of the Atomic Energy Company of Canada Limited. This photo shows part of an installation of six of the tanks at Rosser, Manitoba.

CONSOLIDATED STATEMENT OF EARNINGS

YEAR ENDED MARCH 31	1970 $	1969 $
Sales	312,750,043	295,575,484
Manufacturing, selling and administrative costs and brewing excise and sales taxes	285,631,061	267,852,647
Profit from operations	27,118,982	27,722,837
Investment income	1,210,430	1,774,907
Earnings before income taxes and extraordinary items	28,329,412	29,497,744
Income taxes	14,700,000	15,000,000
	13,629,412	14,497,744
Minority interest	313,179	599,138
Net earnings before extraordinary items	13,316,233	13,898,606
Extraordinary items—		
Net loss on disposal of businesses less related income taxes of $1,069,254	1,143,686	—
Profit on sale of investments	—	1,174,000
Net earnings after extraordinary items	12,172,547	15,072,606
Per "A", "B" and "C" share—		
Net earnings before extraordinary items	1.17	1.23
Extraordinary items	(.10)	.10
Net earnings after extraordinary items	1.07	1.33

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEAR ENDED MARCH 31	1970 $	1969 $
Opening balance	77,995,496	76,416,937
Adjustment for deferred income taxes	—	3,568,667
		72,848,270
Adjustment to reflect acquisition of additional shares of Anthes Imperial Limited	—	161,133
		73,009,403
Anthes Imperial Limited dividends for the three months ended March 31, 1968 less net earnings of $92,640	—	247,034
Adjusted balance, beginning of year	77,995,496	72,762,369
Net earnings	12,172,547	15,072,606
	90,168,043	87,834,975
Deduct:		
Dividends on common shares	8,195,290	7,873,694
Excess of purchase price of subsidiary companies acquired over underlying net book value	4,666,479	1,965,785
	12,861,769	9,839,479
Balance, end of year	77,306,274	77,995,496

CONSOLIDATED BALANCE SHEET

MARCH 31	1970 $	1969 $
Assets		
Current Assets		
Cash and short-term deposits	927,150	1,313,404
Marketable securities, at cost (quoted value — $532,000)	674,024	714,541
Accounts receivable	31,704,666	29,030,246
Inventories, valued at cost which does not exceed net realizable value—		
Raw materials and supplies	14,131,096	12,768,141
Work in process and finished goods	29,140,915	27,298,884
Prepaid expenses	1,613,022	2,026,815
	78,190,873	73,152,031
Investments		
Shares in other companies, at cost	7,015,233	3,770,056
Advances to other companies	2,985,949	2,656,836
Mortgages and collateral deposits	1,135,101	1,234,755
	11,136,283	7,661,647
Fixed Assets (note 2)		
Cost	163,177,164	153,559,144
Accumulated depreciation	88,308,329	83,682,223
	74,868,835	69,876,921
	164,195,991	150,690,599

Signed on behalf of the Board:

H. deM. Molson, Director
D. G. Willmot, Director

MARCH 31	1970 $	1969 $
Liabilities		
Current Liabilities		
Bank indebtedness (secured)	15,547,072	4,774,848
Accounts payable and accrued charges	18,862,227	14,902,028
Income taxes	3,712,132	2,338,954
Excise, sales and other taxes	4,915,932	4,733,605
Current instalments on long-term debt	783,499	766,162
Notes payable	2,016,938	—
	45,837,800	27,515,597
Deferred Income Taxes	5,872,464	5,627,905
Long-term Debt (note 3)	10,653,576	11,128,492
Minority Interest	6,308,593	10,393,182
Shareholders' Equity		
Capital Stock (note 4)	18,217,284	18,029,927
Retained Earnings	77,306,274	77,995,496
	95,523,558	96,025,423
	164,195,991	150,690,599

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED MARCH 31	1970 $	1969 $
Source of Funds		
Net earnings	12,172,547	15,072,606
Depreciation	6,804,319	6,682,351
Deferred income taxes	244,559	277,907
Funds derived from operations	19,221,425	22,032,864
Proceeds of issue of common shares for cash	187,958	195,024
Proceeds from sale of subsidiary	—	1,142,134
Working capital of subsidiaries acquired	—	608,241
	19,409,383	23,978,263
Application of Funds		
Dividends	8,195,290	7,873,694
Net additions to fixed assets	11,796,233	10,524,540
Net decrease in long-term debt	474,916	228,098
Net increase in investments	3,474,636	150,919
Acquisition of interest in subsidiaries	8,409,135	3,259,890
Decrease in minority interest	342,534	65,064
Working capital of subsidiary sold	—	90,181
Anthes Imperial Limited dividends for three months ended March 31, 1968 less net earnings	—	247,034
	32,692,744	22,439,420
Increase (decrease)	(13,283,361)	1,538,843
Working capital, beginning of year	45,636,434	44,097,591
Working capital, end of year	32,353,073	45,636,434

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Molson Industries Limited and subsidiary companies as at March 31, 1970 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.
Chartered Accountants

Montreal, May 14, 1970

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 1970

1. Principles of Consolidation

During the year the company acquired an additional 2% of the outstanding common stock of Anthes Imperial Limited, in exchange for 56,975 Class "A" common shares and $106,908 cash pursuant to the terms of the offer made on June 28, 1968 and which was terminated on June 27, 1969. All stock thus acquired, representing 93% of the outstanding common stock of Anthes, continues to be consolidated following pooling of interests accounting principles. Subsequently, the company acquired virtually all of the remaining outstanding common stock of Anthes for cash. This latter investment and the investments in all other subsidiary companies, are consolidated on the basis of purchase accounting principles.

For purposes of consolidation the accounts of the company's foreign subsidiaries have been converted into Canadian dollars at the rates of exchange prevailing at the fiscal year end.

2. Fixed Assets

	1970 $	1969 $
Cost:		
Land	6,441,722	5,437,575
Buildings	62,983,263	58,778,274
Machinery and equipment	91,219,574	86,887,094
Construction in progress	2,532,605	2,456,201
	163,177,164	153,559,144
Accumulated depreciation	88,308,329	83,682,223
	74,868,835	69,876,921

3. Long-term Debt

	Total Amount $	Current Maturities $
First mortgage bonds, due 1970 to 1978; 5.84% to 10%	1,308,976	299,099
Debentures—unsecured, due 1970 to 1982; 4½% to 6%	6,542,400	484,400
Term bank loans—secured, due after April 1, 1971; 8½% to 9%	3,585,699	—
	11,437,075	783,499

Maturities over the next five years will approximate the above instalments.

4. Capital Stock

At March 31, 1970 the capital stock of the company comprised:

Authorized:

10,000,000 Class "A" common shares without nominal or par value,
7,000,000 Class "B" common shares without nominal or par value,
1,360,000 Class "C" convertible common shares without nominal or par value,
500,000,000 4% non-cumulative preferred shares of the par value of 1 cent each, redeemable at par either out of capital or under Section 61 of the Canada Corporations Act.

The holders of the Class "A" common shares are entitled, voting separately and as a class, to elect annually three members of the board of directors of the company.

The Class "B" and the Class "C" common shares are each fully voting and rank equally as to dividends in any fiscal year with the Class "A" common shares, provided 20 cents per share has been paid or declared in such fiscal year on the Class "A" common shares.

Dividends in respect of the Class "C" common shares may be paid in the form of stock dividends of the preferred shares redeemable out of tax paid undistributed income. Each Class "C" common share may, at the option of the holder, be converted into 1 Class "A" common share after July 1, 1971. Each Class "C" common share shall be converted into 1 Class "B" common share on or before June 30, 1976 or when an aggregate of $4,292,500 of stock dividends has been paid in respect of Class "C" common shares, whichever shall first occur.

Issued and outstanding:	$
6,134,942 Class "A" common shares	9,866,256
3,968,304 Class "B" common shares	6,631,888
1,258,942 Class "C" convertible common shares	1,719,140
11,362,188	18,217,284

During the year 56,975 Class "A" common shares were issued in exchange for common shares of Anthes Imperial Limited valued at $80,668 in accordance with pooling of interests accounting principles. In addition, 13,865 Class "A" and 1,955 Class "B" common shares were issued for cash of $161,668 and $26,290 respectively under the terms of the employee stock option plan.

75,536,520 preferred shares were issued as stock dividends on the Class "C" convertible common stock and were redeemed at par for $755,365.

Stock options:

At March 31, 1970, options to employees were outstanding in respect to 48,132 Class "A" common shares at prices ranging from $10.99 to $19.62 per share; and in respect to 35,205 Class "B" common shares at prices ranging from $11.50 to $20.00 per share. All options expire prior to October 1, 1972.

5. Pending Legal Proceedings

The company, among others, is a defendant in a lawsuit instituted during the year and pending in a United States District Court. The lawsuit stems from the company's offer made in June 1968 to acquire the common stock of Anthes Imperial Limited, and claims damages in the aggregate amount of approximately (U.S.) $2.5 million. In the opinion of the company's United States legal counsel, this lawsuit is without merit.

6. Statutory Information

The following items have been charged before determining net earnings for the year:

	$
Provision for depreciation	6,804,319
Interest on long-term debt including amortization of debenture discount	780,643
Remuneration paid by the company and its subsidiaries to directors of the company:	
—as directors	33,000
—as officers or employees	447,750

In accordance with Section 61 of the Canada Corporations Act $2,386,487 of the retained earnings has been designated as capital surplus resulting from redemption of preferred shares.

Past service costs of a subsidiary's employee pension plans are being funded over periods not exceeding 30 years. The unfunded liability for such past service costs amounted to approximately $3,600,000 at March 31, 1970.

The 32-storey Richardson Building at Winnipeg's Portage and Main streets is a point of pride to the city and the beginning of a new phase of municipal growth which promises to make Winnipeg's skyline "highrise". All the principal sewage and drainage pipe used in the building was provided by the company's Anthes Western Division.

OPERATING AND FINANCIAL RECORD

	1970 $	1969 $	1968 $
Sales	312,750,043	295,575,484	275,354,234
Profit from operations	27,118,982	27,722,837	34,004,084
Investment income	1,210,430	2,948,907	1,685,006
Income taxes—current	14,455,441	14,722,093	16,639,165
—deferred	244,559	277,907	560,835
Total	14,700,000	15,000,000	17,200,000
Net earnings after extraordinary items	12,172,547	15,072,606	15,985,752
Cash flow	19,162,347	22,257,299	22,948,906
Dividends—Molson "A", "B" and "C" shares	8,029,972	7,410,952	5,706,182
—Anthes prior to share exchange (93%)	165,318	462,742	1,272,634
Total	8,195,290	7,873,694	6,978,816
Net earnings per "A", "B" and "C" share	1.07	1.33	1.41
Cash flow per "A", "B" and "C" share	1.69	1.96	2.03
Dividends per "A", "B" and "C" share	.72	.72	.72
Shareholders' equity per "A", "B" and "C" share	8.41	8.46	8.02
Depreciation and amortization	6,804,319	6,682,351	6,007,168
Net additions to fixed assets	11,796,233	10,524,540	10,747,881
Working capital	32,353,073	45,636,434	44,097,591
Total assets	164,195,991	150,690,599	151,024,404
Debt	10,653,576	11,128,492	11,356,590
Minority Interest	6,308,593	10,393,182	10,648,797
Shareholders' equity	95,523,558	96,025,423	90,889,652
Number of "A", "B" and "C" shares outstanding	11,362,188	11,346,368	11,328,912
Number of shareholders	13,166	13,252	
Number of employees	7,360	7,500	

Notes:

Dividends per "A", "B" and "C" shares record the dividend rate of Molson Industries Limited. All other data has been restated to reflect the consolidation of Anthes Imperial Limited on a pooling of interests basis.

The number of "A", "B" and "C" common shares outstanding has been restated to reflect the subdivision of shares in 1966 and the issue of shares in exchange for those of Anthes Imperial Limited.

The fiscal year end of Anthes Imperial Limited has been changed from December 31 to March 31 to correspond with the fiscal year end of Molson Industries Limited, commencing January 1, 1969. Commencing with the 1969 fiscal year, the record consolidates data of each company for the 12 months ended March 31.

For the fiscal periods ending March 31, 1964 through 1968, the record incorporated data of Anthes for its fiscal years ended the three months earlier.

In the fiscal years 1961 and 1962, Molson's fiscal year end was September 30 and the consolidated record for these years combines data of Anthes for its year ended the following December 31.

The fiscal period of Molson ended March 31, 1963, was one of six months as the result of its change of fiscal year end from September 30 to March 31. No combined data is presented for this period.

1967 $	1966 $	1965 $	1964 $	1962 $	1961 $
244,709,298	216,811,765	210,232,715	154,946,757	140,443,404	126,772,065
30,826,270	27,573,388	25,412,126	20,541,250	18,398,742	16,509,753
1,350,790	1,444,245	1,254,905	799,653	863,325	802,488
15,508,655	13,744,141	12,268,984	9,694,000	9,282,600	8,204,200
268,345	379,359	403,016	289,000	326,400	332,400
15,777,000	14,123,500	12,672,000	9,983,000	9,609,000	8,536,600
14,455,164	12,133,021	10,931,239	9,252,380	8,658,567	8,216,708
20,519,466	18,753,274	17,937,717	14,806,148	13,248,073	12,397,288
5,057,266	4,340,378	4,335,716	3,932,456	3,930,835	3,533,444
1,082,200	893,485	594,258	329,897	271,324	230,976
6,139,466	5,233,863	4,929,974	4,262,353	4,202,159	3,764,420
1.28	1.11	1.01	.91	.81	.77
1.82	1.71	1.65	1.46	1.32	1.24
.64	.55	.55	.50	.50	.45
7.30	6.59	5.90	5.49	5.00	4.66
5,578,996	6,056,470	6,483,191	5,234,505	4,194,019	3,764,801
7,584,537	5,590,704	5,002,480	4,073,950	8,213,801	4,303,702
39,946,521	34,101,759	24,992,856	22,138,483	18,981,171	17,824,263
132,954,357	119,615,922	115,220,095	91,996,063	84,043,859	77,308,466
10,186,899	10,671,299	20,582,574	15,720,000	6,010,000	2,390,000
8,664,985	8,606,491	8,395,137	3,930,170	4,173,674	4,105,716
82,182,695	72,110,719	64,153,137	55,567,871	50,260,423	46,775,577
11,263,283	10,935,173	10,867,785	10,115,672	10,058,392	10,035,095

The popularity of the company's beers and ales continues to increase across Canada as the company's share of the market rises. While sales always peak in the heat of the summer months, they continue to increase with the enthusiasts of winter sports, particularly skiing and curling.

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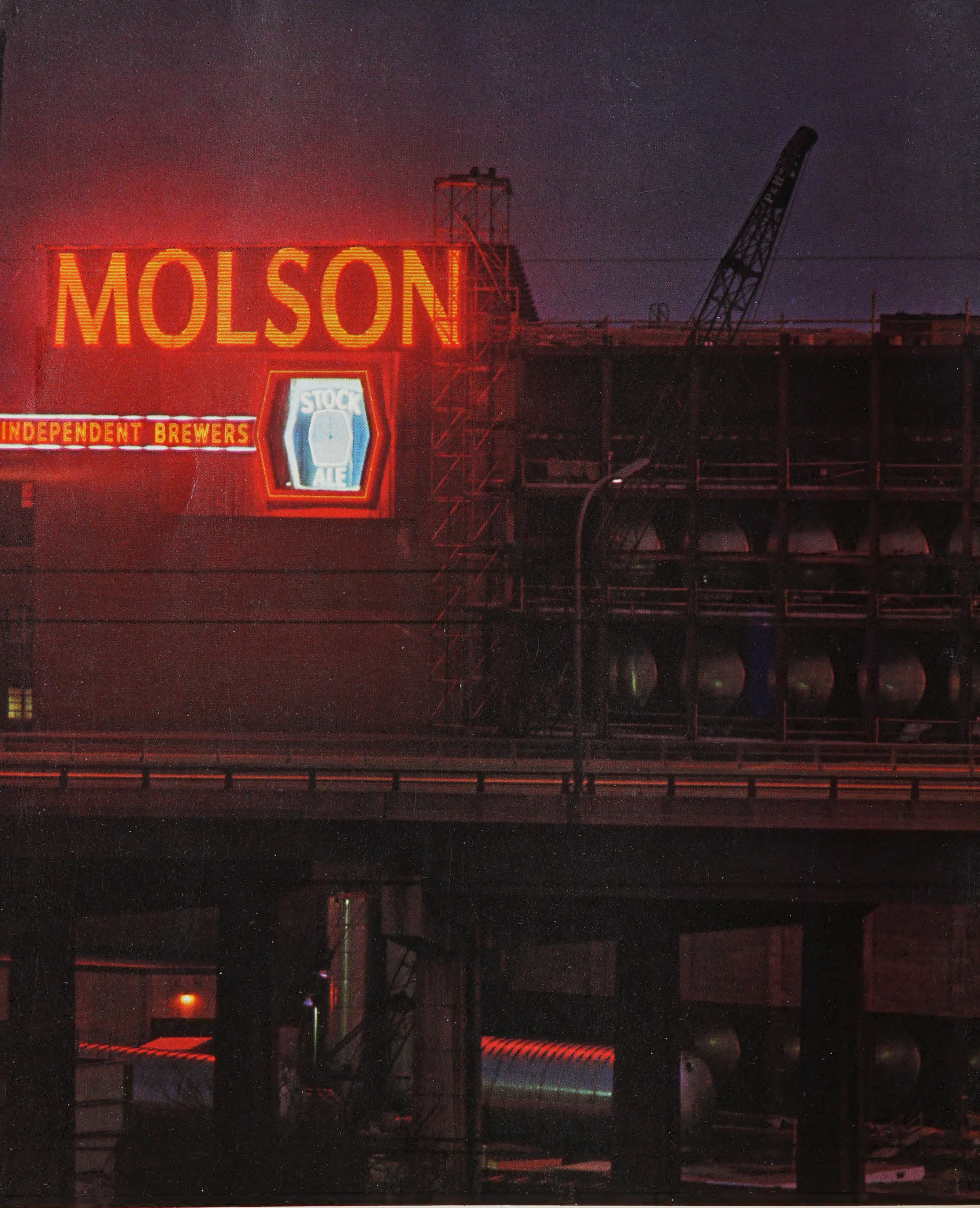
MOLSON
INDEPENDENT BREWERS
STOCK
ALE